

CapitalBenefit

Newsletter December 2010

Dear Fellow Investor,

2010 has exceeded our expectations on just about every level:

- we enjoyed a very large inflow of capital
- many new individuals joined our investor base
- our seasoned investors continued to grow their portfolios
- our average yield delivered to investors increased to over 11.25%
- no borrower had to be foreclosed on - no property reverted back to the investor

The main story is, however, the amazing quality of the deals we were able to present to you.

First, the locations: Lake Tahoe, Pebble Beach, Beverly Hills, San Francisco, Berkeley, Sunnyvale, Redondo Beach, Glendale, Rancho Mirage, San Juan Capistrano, Long Beach ... locations and homes we all would be proud to live in or own.

Second, the borrowers: Venture capitalists, wealthy divorcées, successful professionals, seasoned investors, high net worth entrepreneurs, celebrity family members, high tech executives, veteran developers ... individuals shunned and dismissed by evermore restrictive lending institutions.

Third, the terms: shorter maturities, increased yields, upfront interest payments, longer prepayment penalties ... and decreased loan-to-values.

In short, we presented you with extraordinary opportunities to build a first-class loan portfolio.

Our terrible economic and political environment help to make all this possible, of course. Every day, we talk to exhausted, frustrated borrowers who cannot believe that no matter how successful they are, no matter how well educated they are, no matter how much wealth they possess ... the banks are unwilling to extend credit to them. Or, as the prominent banking analyst Meredith Whitney so perfectly put it "banks are lending – just not to those who need it". And it is getting worse: The Mortgage Bankers Association estimates U. S. mortgage lending to drop by 30% from \$1.4 trillion in 2010 to \$996 billion in the coming year.

We, therefore, predict 2011 to be an extension of what we all experienced in 2010 – at least as far as the growing demand for Private Money is concerned. We look forward to presenting you with great deals and hope you seize this continued opportunity to enhance your portfolios.

Happy New Year!

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